DOCUMENT RESUME

ED 420 233 HE 031 283

TITLE	Direct PLUS Loans. William D. Ford Federal Direct Loan Program. A Guide to Federal Education Loans for Parents.
INSTITUTION	Department of Education, Washington, DC.
PUB DATE	1998-00-00
NOTE	52p.
PUB TYPE	Guides - Non-Classroom (055)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	Financial Support; Higher Education; Loan Repayment; *Parent Financial Contribution; *Paying for College; *Student Financial Aid; *Student Loan Programs
IDENTIFIERS	*Direct Lending; Federal Direct PLUS Loan Program

ABSTRACT

This guide to federal Direct PLUS loans for parents of students attending postsecondary education institutions begins with a list of frequently asked questions and answers. The first chapter is on the basics of what a Direct PLUS loan is and what parents need to know before applying for a Direct PLUS loan. The second chapter, which deals with getting a Direct PLUS loan, considers eligibility, the application process, what happens after the application is submitted, and when the money is distributed. The last chapter is on repayment of the Direct PLUS loan. Sections address when repayment is due, how repayment works, where payments should be sent, what to do if there are problems repaying, and loan consolidation. Also included is a Direct PLUS loan repayment chart and a directory of addresses and telephone numbers for specific aspects of Direct PLUS loans. (DB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 420 233

Direct & PLUS Loans

William D. Ford Federal Direct Loan Program

HE031283

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)
☑ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

A Guide to Federal Education Loans for Parents

Frequently Asked Questions

For more information on this, turn to page...

How do I know if I'm eligible for a Direct PLUS Loan?

You're probably eligible if you don't have an adverse credit history, you're not in default on a federal education loan, and you are borrowing for your child who is less than 24 years old.....7

Are there minimum or maximum income requirements?

No. Parents from all income levels may borrow Direct PLUS Loans. The important thing is not to borrow more than you can afford to pay back.....2

How do I apply?

You need to fill out a Direct PLUS Loan application and promissory note. These are contained in a single form that you get from the financial aid office at the school your child attends or is planning to attend.....11

How do I find out if my loan is approved?

You'll be notified by the U.S. Department of Education's Loan Origination Center. If you haven't heard, you should contact the Loan Origination Center or the financial aid office at your child's school.....13

What is the interest rate?

The interest rate is variable and is adjusted each year on July 1, but it will never be higher than 9 percent.....4

When do I start repaying my loan?

You begin repaying your Direct PLUS Loan 60 days after the full amount you've borrowed for a school year has been applied to your child's school account. In most cases, you must begin making payments while your child is still in school.....19

Is there any way that I can postpone repaying my loan?

Yes, in some limited circumstances.....20

Can the loan be transferred to my child and become my child's responsibility to repay?

No. You are responsible for repaying a Direct PLUS Loan. It is a loan to you, not to your child.....9

How long do I have to repay the loan, and how much will my monthly payments be?

You'll have from 10 to 30 years to repay. Your monthly payment amount depends on how much you borrow and how long you take to repay.....23

For important phone numbers, turn to the inside back cover of this booklet.

Contents

Frequently Asked Questions ..... Inside Front Cover

Learning the Basics ..... page 1

What Is a Direct PLUS Loan? ..... page 1

What Do I Need to Know Before I Borrow a Direct PLUS Loan? ..... page 2

Getting a Direct PLUS Loan ..... page 7

Am I Eligible? ..... page 7

How Do I Apply? ..... page 11

What Happens Next? ..... page 13

When Do I Get the Money? ..... page 13

Repaying a Direct PLUS Loan ..... page 19

When Do I Repay? ..... page 19

How Do I Repay? ..... page 23

Where Do I Send My Payments? ..... page 31

What if I Have Problems Repaying? ..... page 32

What Is Loan Consolidation? ..... page 34

Direct PLUS Loan Repayment Chart ..... page 37

Directory ..... Inside Back Cover

Why Should I Read This?

When you see the word "**school**," it means the school your child attends or is planning to attend *after* high school.

The U.S. Department of Education created this booklet to help you:

- decide whether you can—and want to— borrow a Direct PLUS Loan,
- estimate how much you think you should borrow, and
- make plans for successfully repaying your loan.

This booklet answers questions parents ask most often when they are thinking about borrowing Direct PLUS Loans.

You can use this booklet in different ways.

- If you've never borrowed money, or if you don't know very much about Direct PLUS Loans, we suggest you read the whole booklet from cover to cover.
- If you have already borrowed a Direct PLUS Loan, you can use this booklet as a handy desk reference that describes the unique features of Direct PLUS Loans.

If you still have questions after reading this booklet, turn to the back inside cover for a list of phone numbers to call for more information, or contact the financial aid office at your child's school.

Learning the Basics

What Is a Direct PLUS Loan?

A Direct PLUS Loan is a low-interest rate loan to help you pay for your child's education beyond high school. The U.S. Department of Education is the lender, not a bank or a credit union. Direct PLUS Loan funds are usually applied directly to your child's school account. A Direct PLUS Loan is not a grant or scholarship; therefore, you must repay the money received.

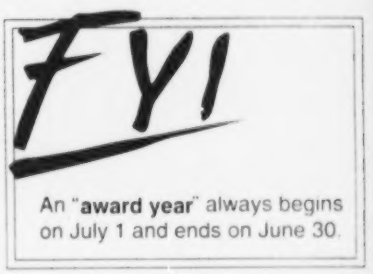
You can borrow a Direct PLUS Loan for your child if he or she is a "dependent student."

Your child is a dependent student, if you can answer "No" to **all** of the following questions:

1. Will your child be at least 24 years old by December 31 of the **award year**?	❑ Yes	❑ No
2. Is your child married?	❑ Yes	❑ No
3. Is your child a graduate or professional student?	❑ Yes	❑ No
4. Is your child a veteran of the U.S. Armed Forces?	❑ Yes	❑ No
5. Is your child a ward of the court?	❑ Yes	❑ No
6. Does your child have legal dependents, other than a spouse?	❑ Yes	❑ No

---

If you answer "Yes" to just one of these questions, your child is not a dependent student, and **you cannot borrow** a Direct PLUS Loan.



What Do I Need to Know Before I Borrow a Direct PLUS Loan?

The most important thing you need to know about borrowing any loan, including a Direct PLUS Loan, is that **you have to pay it back.** That's why it's important not to borrow more than you can afford, even if you are eligible to borrow more. This is a decision that you have to make based on your own situation.

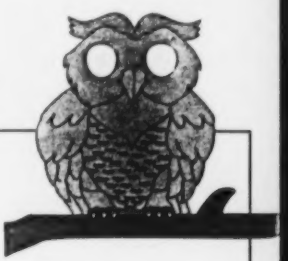
FYI

This booklet is only about Direct PLUS Loans, which the U.S. Department of Education administers as part of the William D. Ford Federal Direct Loan Program.

The federal government also offers a PLUS Loan for parents through the Federal Family Education Loan (FFEL) Program.

You **can't borrow both** an FFEL PLUS Loan and a Direct PLUS Loan at the same time for your child. The school your child attends or is planning to attend can tell you which loan programs it offers.

Consumer Tip #1



There is a difference between how much you are allowed to borrow and how much you actually want to borrow.

One way of thinking about this is to decide whether you can afford to add another expense each month to the expenses you already pay, such as rent, food, transportation, and so forth. If you think you can afford another monthly expense and still pay for all your other financial obligations, then you may want to consider how much more a month you can afford to spend.

Once you have decided how much extra you can afford to repay each month on a Direct PLUS Loan,

go to the "Direct PLUS Loan Repayment Chart" beginning on page 37 to help estimate how large a loan you can borrow and still stay within your budget.

Important: If your child will be attending a school for longer than a year, keep this in mind—as the amount you borrow in Direct PLUS Loans each year increases, so does your monthly payment. Therefore, don't borrow more the first year than your budget can handle over the course of your child's education and your increased borrowing.

How much can I borrow?

Generally, each year you may borrow any amount you choose up to your child's cost of attendance minus other financial aid your child may receive for that school year. "Cost of attendance" refers to education expenses, such as tuition and fees, books and supplies, and room and board, transportation, and other miscellaneous expenses.

The school's financial aid office uses the following information to decide the maximum Direct PLUS Loan amount you can borrow.

	Cost of Attendance (COA)
—	**Estimated Financial Aid (EFA)**
=	**Maximum Direct PLUS Loan Amount**

For example, if your child's cost of attendance is $8,000, and she is not going to receive financial aid from any source, your maximum Direct PLUS Loan amount would be $8,000. If she is receiving any financial aid (even loans), the Direct PLUS Loan amount you can borrow becomes less. The following chart illustrates how this works. It shows what happens for four students receiving different amounts of financial aid at the same school during the same time period.

Examples of Different Maximum Direct PLUS Loan Amounts

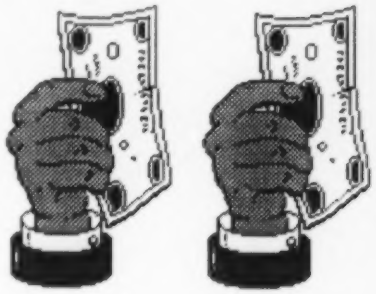
	Student A	Student B	Student C	Student D
Cost of Attendance (COA)	$8,000	$8,000	$8,000	$8,000
— Estimated Financial Aid (EFA)	$ 0[1]	$ 500[2]	$2,500[3]	$8,000[4]
= Max. Direct PLUS Loan Amount	$8,000	$7,500	$5,500	$ 0

[1] Student A received no grants or loans.
[2] Student B received a $500 grant.
[3] Student C received a $500 grant and a $2,000 loan.
[4] Student D received a $5,000 grant and a $3,000 loan.

Remember Consumer Tip #1: Parents of Students A, B, and C need to decide if they can afford to borrow $8,000, $7,500, and $5,500, respectively.

What if I have more than one child in school?

If you have more than one child in school, the Direct PLUS Loan amount you can borrow for each child probably will vary. This is because each school decides its own cost of attendance and the amount of financial aid it can award.



What is the interest rate?

The interest rate varies annually but can never be more than 9 percent. The U.S. Department of Education adjusts the interest rate each year on July 1.

You can find out the current interest rate on Direct PLUS Loans by calling toll-free:

1-800-848-0979

(The TDD number for the hearing-impaired is 1-800-848-0983.)

When is interest charged?

Interest is charged on your Direct PLUS Loan beginning on the date the money is applied to your child's school account. You pay interest only on the portion of your loan that has been received. Interest is not charged on portions of the loan that have not been received.

Is there a charge for a Direct PLUS Loan?

You pay a "loan fee" on each Direct PLUS Loan you borrow. The fee is used to help keep down the cost of making these low-interest loans.

The loan fee is equal to 4 percent of the **loan principal**. The U.S. Department of Education automatically deducts the fee from the loan before you receive any money. As a result, the amount of money you actually receive will be 4 percent less than the amount you are borrowing. The examples illustrate how this works.

FYI

The "**loan principal**" is the amount you borrow.

Examples of Loan Fees

	Parent A	Parent B	Parent C	Parent D
If you borrow:	$2,500	$5,000	$7,500	$10,000
Then your loan fee is:	$ 100	$ 200	$ 300	$ 400
And you receive:	$2,400	$4,800	$7,200	$ 9,600
You owe:	$2,500	$5,000	$7,500	$10,000

When do I begin repaying my loan?

You must begin making payments on your Direct PLUS Loan 60 days after the full amount you've borrowed for a school year has been applied to your child's school account. In most cases, this means that you will begin making payments while your child is still in school.

How much must I pay each month?

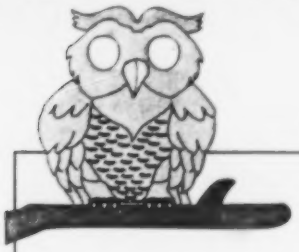
The amount you pay each month and in total depends on *how much you borrow* and *how long it takes you to repay the loan*. You'll have from 10 to 30 years to repay your loan, depending on the repayment plan you choose and the amount you borrow. For more detailed information on repaying Direct PLUS Loans, turn to "Repaying a Direct PLUS Loan" beginning on page 19 and the "Direct PLUS Loan Repayment Chart" beginning on page 37.

FYI

Generally, a Direct PLUS Loan is applied to your child's school account in at least two installments. These are called "disbursements." A 4 percent loan fee is deducted from each disbursement.

Example: If you borrow a $2,500 Direct PLUS Loan that is disbursed in two installments of $1,250 each, then the 4 percent loan fee for each disbursement is $50 ($1,250 x 0.04). You receive $1,200 for each disbursement ($1,250 - $50 = $1,200).

For more information about disbursements, see page 15.



Consumer Tip #2

Before you take out a Direct PLUS Loan, think about other options you might have to help pay for your child's education.

Here are a few questions for you to consider before borrowing a Direct PLUS Loan:

- ✔ Is my child eligible for federal, state, school, or private grants and loans or scholarships? For more information, check with:
  - the financial aid administrator at your child's postsecondary school (school after high school)
  - the state higher education agency in your home state
  - the public-school agency in your home state responsible for elementary and secondary schools*
  - the Americorps program*
  - the local Veterans' Affairs office
  - your public library
  - your company and/or your labor union
  - foundations, religious organizations, fraternities or sororities, community organizations, and civic groups
  - organizations from your child's field of interest, such as the American Medical Association (these organizations are listed in the U.S. Department of Labor's *The Occupational Outlook Handbook*)
- ✔ Are there opportunities for my child to work part time while in school?
- ✔ Should my child go to a lower-cost, two-year school, such as a community college, and then transfer to a four-year college?
- ✔ Are there any private loans that have better interest rates and repayment terms than a Direct PLUS Loan?
- ✔ Is a home-equity loan more beneficial than a Direct PLUS Loan for someone in my tax bracket?
- ✔ Can I borrow against my retirement account or other accounts and pay a lower interest rate?

**The Student Guide* has addresses and phone numbers to help you contact these agencies.

FYI

For free information about federal grants, loans, and work-study programs, get a copy of *The Student Guide: Financial Aid from the U.S. Department of Education* by calling **1-800-4-FEDAID** (1-800-433-3243). *The Student Guide* is also available on the U.S. Department of Education's Web site at:

www.ed.gov/prog_info/SFA/Student Guide

Getting a Direct PLUS Loan

Am I Eligible?

To be eligible for a Direct PLUS Loan:

- ✔ You must be the natural parent, adoptive parent, or legal guardian of the child for whom you're borrowing a Direct PLUS Loan. In certain circumstances, a stepparent is also eligible to borrow.
- ✔ You must be a U.S. citizen, U.S. national, or permanent resident of the United States.
- ✔ You must not be in default on a federal education loan or owe an overpayment on a federal education grant.
- ✔ You must not have an adverse credit history.
- ✔ Your child must be an eligible dependent student who is enrolled in a postsecondary school.

To find out if your child is a dependent student, turn to page 1 of this booklet.

If you have any questions about whether you qualify for a Direct PLUS Loan, contact the financial aid office at the school your child attends or is planning to attend.

FYI

"**Default**" means that you didn't repay your loans according to your obligations in the promissory note you signed.

"**Overpayment**" means that you received federal education grant funds in excess of the amount that you were eligible to receive.

What if I've defaulted on a federal education loan or owe an overpayment on a federal education grant?

To borrow a Direct PLUS Loan, you must not be in default on a federal education loan or owe an overpayment on a federal education grant.

Even if you are in **default,** you may be able to regain eligibility for a Direct PLUS Loan by:

- fully repaying the defaulted loan, or
- by making "satisfactory arrangements" to repay the defaulted loan.

Contact the holder of your loan to find out about making satisfactory repayment arrangements. (Check a recent bill or statement for your loan holder's address and phone number.)

If you owe an **overpayment** on a federal education grant, you may regain eligibility for a Direct PLUS Loan by:

- fully repaying the overpayment, or
- by making satisfactory arrangements to repay the overpayment.

Contact the school or agency that awarded the grant to find out about making satisfactory repayment arrangements.

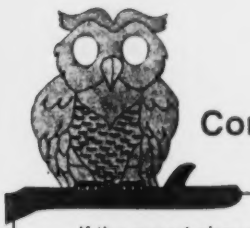
What is an adverse credit history?

To find out your credit history, the U.S. Department of Education checks with a national credit bureau each time you apply for a Direct PLUS Loan. The credit bureau produces a credit report about you and sends it to the **U.S. Department of Education's Loan Origination Center**, which is responsible for approving and establishing an official record of your Direct PLUS Loan. The Loan Origination Center will send you a letter with the results of the credit check.

If the credit bureau doesn't have any information about you, then you don't have an adverse credit history.

You have an adverse credit history if the credit report shows that:

- you are currently 90 days or more delinquent (late) in paying any debt (for example, credit cards or loans), or
- within five years of the date of the credit report, you have:
  - been determined to be in default on a debt;
  - had your debts discharged in bankruptcy; or
  - been the subject of a foreclosure, repossession, tax lien, wage garnishment, or write-off of a federal education debt.



Consumer Tip #3

If the report shows that you have an adverse credit history, you may still be eligible for a Direct PLUS Loan if one of the situations listed below applies to you.

1. You believe that the credit report is incorrect. (If so, you should contact the credit bureau to resolve the error.)
2. There is additional information (extenuating circumstances) that you believe should be considered in evaluating your credit history.
3. Someone you know who does not have an adverse credit history is willing to be an **endorser** on your Direct PLUS Loan.

For more information about dealing with an adverse credit history, call the Loan Origination Center at **1-800-557-7394**.

If none of these three situations apply to you, your child may be able to borrow a larger amount in a federal student loan called the Federal Direct Unsubsidized Loan.

If you think you will not be eligible to receive a Direct PLUS Loan, contact the financial aid office at your child's school to discuss other options.

An "**endorser**" is someone who promises to repay the loan if you don't. You can use your spouse, a friend, or a relative. **But** your child cannot be the endorser. **And** you cannot transfer payment responsibility from yourself to your child or from one endorser to a new endorser.

If you choose to obtain an endorser for your Direct PLUS Loan, the endorser must sign a form called an **endorser addendum**. An endorser addendum form is automatically mailed to you if your credit report shows that you have an adverse credit history.

Does my child also have to meet eligibility requirements?

Yes. Your child must also meet eligibility requirements for you to borrow a Direct PLUS Loan. For detailed information, check with the financial aid office at your child's school. Here are some highlights.

Citizenship Status

Your child must meet the same citizenship status requirements that you must meet. This means that your child must be a U.S. citizen, U.S. national, or U.S. permanent resident.

Enrollment Status

Your child must be enrolled or accepted for enrollment at least half time at a school that is allowed to award federal student financial aid. To find out if your child is attending a school that may award federal student financial aid, contact that school.

Important!

- You may not borrow Direct PLUS Loans if your child will be enrolled in an elementary school, middle school, or a high school at the same time your child is enrolled in a postsecondary school (school after high school).
- If you've already borrowed a PLUS Loan from the Federal Family Education Loan (FFEL) Program for your child, you may not borrow a Direct PLUS Loan for the same time period for that child. If you have two children attending different schools, you may be eligible to borrow both a Direct PLUS Loan and an FFEL PLUS Loan at the same time.

Academic Credentials

Your child must have a high-school diploma or its recognized equivalent, such as a General Education Development (GED) certificate.

If your child does not have a high-school diploma or its equivalent, you still may be able to borrow a Direct PLUS Loan under certain circumstances. Check with the financial aid office at your child's school.

Satisfactory Academic Progress

Your child must be making satisfactory academic progress at the school at which he or she is enrolled. The school will let you know if your child does not meet this requirement.

Repayment Status

Your child may not have defaulted on a federal student loan *unless* your child has repaid the defaulted loan in full or has made satisfactory repayment arrangements.

Turn to page 8 of this booklet for more information about satisfactory repayment arrangements.

How Do I Apply?

While the specific process may vary from school to school, in general, you complete a single form that is a Direct PLUS Loan application and promissory note. In most cases, you'll return it to the school your child attends or is planning to attend. Your child also has to complete a portion of this form.

You get the application/promissory note and any additional forms from your child's school's financial aid office.

If you have more than one child in school, you need to submit a separate application each year for each child.

The Direct PLUS Loan application/promissory note is different from the Free Application for Federal Student Aid (FAFSA). You and your child complete the FAFSA to apply for federal **student** financial aid. You **cannot** use a FAFSA to apply for a Direct PLUS Loan, which is for **parents**.

A word about the promissory note!

Signing this document is what makes you legally responsible for repaying a Direct PLUS Loan. You must sign and date the promissory note in ink. You are not allowed to change the text. If you make a mistake filling out the promissory note, you must cross out the error, correct it, and then put your initials next to the correction. In most cases, when you've completed the application/promissory note, you send it back to the school. (Some schools have the Loan Origination Center take care of this. If your child attends one of these schools, some of the correspondence may be directly between you and the Loan Origination Center. The financial aid office at your child's school will tell you what to expect.)

For information on eligibility for Direct PLUS Loans, turn to page 7 of this booklet.

When do I apply?

In general, you apply for a Direct PLUS Loan each academic year. Be sure to allow plenty of time for your application to be reviewed and processed by the school your child is attending and the U.S. Department of Education. Processing time varies from school to school, so you might want to check the school's informational materials or contact the school to find out how long it takes, on average, to process its Direct PLUS Loan applications.

To ensure that funds are available by the time school starts, begin the Direct PLUS Loan application process at the same time you and your child begin applying for all sources of student financial aid.

You can still apply for a Direct PLUS Loan after school starts, but not after the school year ends. Check with your child's school for more information.

It's always a good idea to borrow the minimum amount you think you'll need. If you need to, you can borrow more later in the year. Remember, the school sets the maximum amount you can borrow.

Can I apply just once for the entire time my child is enrolled in school?

No. The school calculates the maximum Direct PLUS Loan amount you are eligible to borrow on a yearly basis, not for the entire time your child is attending school. As a result, you apply for a Direct PLUS Loan each year your child is in school.

What happens after I apply?

The school reviews the application materials to make sure that you meet all the Direct PLUS Loan eligibility requirements. It also determines how much you may borrow. The school sends this information to the U.S. Department of Education's Loan Origination Center. The school also tells the Loan Origination Center the approximate dates the school plans to apply the loan to your child's school account.

What Happens Next?

The U.S. Department of Education's Loan Origination Center is responsible for contacting a national credit bureau about your credit history. Once the Loan Origination Center receives your credit report, it checks to see whether you have an adverse credit history.

- ✔ If you don't have an adverse credit history, the Loan Origination Center will send you an approval notice. The notice tells you how large a loan was approved and provides general information about loan disbursements and interest. It also tells you who to contact if you have questions about the information in the notice.

- ✔ If you have an adverse credit history, the Loan Origination Center sends you a letter letting you know that it cannot continue processing your Direct PLUS Loan. The letter doesn't include the credit report, but it does tell you the reason for the adverse credit history and gives you the name and address of the credit bureau that produced the report. The letter also describes what you need to do if you:

  (1) believe that the information in the credit report is incorrect,

  (2) believe there are extenuating circumstances that should be considered, or

  (3) plan to have an endorser sign the promissory note.

For more information about adverse credit history, turn to page 8 of this booklet.

When Do I Get The Money?

When and how you get Direct PLUS Loan money varies from school to school. However, in general, a school cannot apply the first installment (disbursement) of the Direct PLUS Loan to your child's school account more than ten days before the first day of classes. The approximate dates that the loan will be disbursed are printed on your promissory note. Check with your child's school for additional disbursement information.

You should also contact the financial aid office at the school your child attends or plans to attend to find out how long it usually takes to receive Direct PLUS Loan money after you have submitted the application.

How Do I Actually Receive the Money?

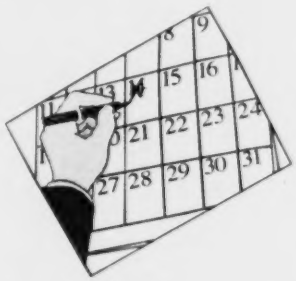
When you sign the Direct PLUS Loan promissory note, you give the school permission to apply the loan proceeds directly to your child's school account to pay for tuition, fees, and room and board.

If there are leftover funds, you have three options:

- You may give the school written permission to leave the leftover funds in your child's school account to pay for other charges.
- You may give the school written permission to pay the leftover funds directly to your child.
- If you do not give the school written permission to keep the funds in your child's school account or to give the funds directly to your child, then the leftover funds must be given to you directly.
    - Depending on the school your child attends, you might receive a check, cash, or have the money electronically transferred to your bank account.

If you select this last option, leftover funds must be paid to you:

- no more than 14 days after **the later of**:
    - the date there is a credit balance (leftover funds) on your child's school account, or
    - the first day of classes.



Is the loan money applied to my child's school account (disbursed) in one lump sum?

Generally not. As a rule, the Direct PLUS Loan will be applied to your child's school account (disbursed) in at least two installments, called "disbursements." The number and the amount of the disbursements you receive for each Direct PLUS Loan depend on how the school divides the school year. The number, amount, and approximate date of each disbursement will be shown on your Direct PLUS Loan application/promissory note. For some examples of how your loan might be disbursed, look at the following scenarios.

Example of disbursements at a school with two semesters

Joyce goes to a college that divides its academic year into semesters. The fall semester begins in September and the spring semester begins in January. Joyce's parent borrowed a $4,500 Direct PLUS Loan for the academic year. Because the school year is divided into two semesters, the loan will be applied to Joyce's school account in at least two equal disbursements. The first disbursement will be made during the fall semester, and the second disbursement will be made during the spring semester.

Fall Semester	Spring Semester
$2,160* 1st disbursement	$2,160* 2nd disbursement

*($2,250 minus 4 percent loan fee of $90 = $2,160)

Example of disbursements at a school without semesters or other terms

Hal's parent is borrowing a $2,200 Direct PLUS Loan so Hal can attend a 12-month program at a technical (career) school. The school does not divide the school year into terms, such as semesters, trimesters, or quarters. However, the Direct PLUS Loan must still be disbursed in two or more equal installments. The school will make two disbursements. The first disbursement will occur at the beginning of the 12-month program. The second disbursement will occur at **the later of**:

- ◊ the calendar midpoint between the first and last scheduled day of classes, or
- ◊ the date Hal completes half the course work or half the hours required by the program.

1st Half of School Year	2nd Half of School Year
$1,056* 1st disbursement	$1,056* 2nd disbursement
*($1,100 minus 4 percent loan fee of $44 = $1,056)	

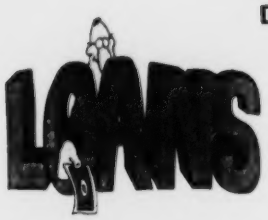
How will I be notified?

The school must notify you in writing or electronically (if you choose to communicate with the school using a computer) whenever it makes a Direct PLUS Loan disbursement. The school is required to send you this notice no earlier than 30 days before applying the Direct PLUS Loan money to your child's school account and not later than 30 days after applying it to your child's school account.

The school's notice will include:

- the date and the amount of the loan disbursement,
- information about your right to cancel all or a portion of the loan, including the current loan disbursement, and
- the procedures and time frames you must follow for canceling the loan.

You will also hear from the **U.S. Department of Education's Loan Servicing Center** each time loan money is given to you or applied to your child's school account.



What if I decide I don't need the money, or I don't need as much as I applied for?

In these cases, immediately notify your child's school that you want to **cancel** all or a portion of your Direct PLUS Loan.

When a loan is fully or partially cancelled, you are not required to pay the loan fee or any interest that was charged on the amount that gets cancelled.

You may also **repay** all or part of a loan at any time **within 120 days** of a disbursement.

- When you repay all or part of the loan to the school **within 120 days**, the school will notify the U.S. Department of Education, and you will not be required to pay the loan fee or interest that was charged on the amount returned.
- If you repay all or part of the loan directly to the U.S. Department of Education instead of through the school **within 120 days**, you must include a letter to request that all or a portion of the loan be cancelled. If you do not write that you are requesting a full or partial cancellation, the loan fee and accrued interest will not be reduced appropriately.

Turn to page 31 for the address where you should send your loan payment.

If you return all or part of a loan **after 120 days**, the amount you return is treated as an early payment. This means there won't be any reduction in the loan fee or interest charged. There is no penalty for paying off your loan early.

See page 30 for more information about paying off your Direct PLUS Loan early.

FYI

In the previous section, you learned that throughout the Direct PLUS Loan application process you'll be working with the **U.S. Department of Education's Loan Origination Center** and **your child's school**.

Remember, the Loan Origination Center is responsible for:

- approving and establishing an official record of your Direct PLUS Loan,
- checking your credit history with a national credit bureau, and
- communicating with you if you have an adverse credit history.

Remember, the financial aid office at your child's school is responsible for:

- sending you the Direct PLUS Loan application/promissory note,
- answering your questions about the application, and
- informing you how much you are allowed to borrow.

Once you have received your Direct PLUS Loan, and throughout the repayment process, you'll be working directly with the **U.S. Department of Education's Loan Servicing Center**. The Loan Servicing Center performs many activities, including:

- preparing and mailing your monthly bills,
- collecting and applying your payments,
- answering your letters and telephone calls,
- processing any forms you submit,
- helping you select or change your repayment plan,
- advising you if you have trouble repaying your loan, and
- other customer-service activities.

Consumer Tip #4

In the unlikely event that you don't hear from the Loan Servicing Center about repaying your Direct PLUS Loan, call them at 1-800-848-0979.

There's a possibility you might not hear from the Loan Servicing Center if you change your name or address. Always be sure to let the Loan Servicing Center know if there's been a change. Also, occasionally, there might be a delay in receiving and processing your loan information.

But most important, just because you don't hear from the Loan Servicing Center doesn't mean you don't have to repay your Direct PLUS Loan. On the contrary—you still do! And interest will still be charged. **So, if you don't hear, don't hesitate to make the first contact.** (In some cases, the Loan Servicing Center may ask you to call your child's school.)

REPAYING A DIRECT PLUS LOAN

When Do I Repay?

After you receive the full amount of the Direct PLUS Loan for the school year, the repayment period begins. You make monthly payments to the loan servicer, that is, the **U.S. Department of Education's Loan Servicing Center**.

You make your first payment to the Loan Servicing Center within 60 days after all of the Direct PLUS Loan is disbursed for a school year. **This usually means that repayment begins while your child is still in school**. The example below illustrates this.

Example of when repayment begins

Rachel is starting her first year of college. Rachel's parent is borrowing $5,000 in a Direct PLUS Loan to pay for Rachel's first year. Because this school divides the school year into two semesters, it will disburse the loan in two equal installments. The first disbursement occurs in September. The second disbursement occurs in January. At this point—January—the loan is fully disbursed. **Then, within 60 days after the loan is fully disbursed (in this case, in March) Rachel's parent begins repaying the loan.** (The Loan Servicing Center will send Rachel's parent a bill with a payment due date.)

September	January	March
$2,400 disbursed*	$2,400 disbursed*; loan is fully disbursed	
∴	∴	∴
Interest accrues on $2,500	**Interest accrues on $5,000**	**Repayment begins within 60 days after the loan is fully disbursed**

*($2,500 minus 4 percent loan fee of $100 = $2,400)

Generally, your monthly payment will include both a portion of the loan principal and the interest that is owed on the loan principal for that month.

Why is it important to repay my Direct PLUS Loan on schedule?

Repaying your loan responsibly can help you maintain or establish a good credit history. If you don't pay back your Direct PLUS Loans, you become delinquent and eventually go into default. This would give you an adverse credit history.

More information on the consequences of default begins on page 32.

The U.S. Department of Education's Loan Servicing Center regularly reports to credit bureaus what you owe and how well you're doing repaying your loans.

Are there ways to delay repayment?

There are some circumstances that allow you to delay repayment or to reduce the amount of your monthly payment even while your child is in school. These delays fall into two categories: **forbearance** and **deferment**. However, you cannot get a delay solely on the basis of your child still being in school.

FYI

You must call the Loan Servicing Center to request either a **forbearance** or a **deferment**. The Loan Servicing Center will send you a forbearance form or a deferment form to complete. Generally, you'll also have to provide documentation to prove that you meet the requirements for the forbearance or deferment you are seeking.

You can reach the Loan Servicing Center by calling **1-800-848-0979**.

What is a forbearance?

A "**forbearance**" is a period of time when you:

- temporarily stop making monthly payments or
- have your monthly payments temporarily reduced.

You may request a forbearance from the Loan Servicing Center when you are not able to repay your Direct PLUS Loan as scheduled because:

- of your poor health or other reasons, such as unexpected personal problems,
- your total monthly payments on federal education loans are at least 20 percent of your monthly gross income (there is a three-year limit for this forbearance), or
- you (not your child) are in a medical or dental internship or residency program.

Note: You do not have a forbearance until the Loan Servicing Center notifies you that a forbearance has been granted.

If your forbearance is approved, you choose whether you want to stop making payments or to make reduced payments. The example below illustrates what happens when you request reduced monthly payments.

Example of a forbearance request

Deborah's parent has a $10,000 Direct PLUS Loan and pays $101 each month. When a temporary disability lowered the parent's income for six months, the parent called the Loan Servicing Center and asked to have the monthly payments reduced to $50. After Deborah's parent filled out a forbearance request and returned it (with documentation), the Loan Servicing Center approved $50 monthly loan payments for six months.

During forbearance, interest continues to accumulate. You can either pay the interest as it is charged or allow it to be **capitalized**.

- If you don't pay the interest as it is charged, the Loan Servicing Center capitalizes the interest (adds it to your loan principal) when your forbearance ends.

The following chart illustrates the difference in the total amount you repay when you pay the interest as it is charged during a forbearance compared to the amount you repay when you don't pay the interest as it is charged and it is added to the loan principal (capitalized).

"**Capitalized**" interest becomes part of the loan principal (the amount you borrowed).

Capitalizing interest increases the loan principal and the total cost of repaying your loans.

	Loan Amount	Capitalized Interest for 12 months	Principal to be Repaid	Monthly Payment	Number of Payments	Total Amount Repaid
When you pay the interest	$15,000	$ 0	$15,000	$190	120	$22,802
When you don't pay the interest	$15,000	$1,350	$16,350	$207	120	$24,854

Result: You pay $17 less per month and $2,052 less altogether when you pay the interest as it is charged.

FYI

You must call the Loan Servicing Center to request either a **forbearance** or a **deferment**. The Loan Servicing Center will send you a forbearance form or a deferment form to complete. Generally, you'll also have to provide documentation to prove that you meet the requirements for the forbearance or deferment you are seeking. You can reach the Loan Servicing Center by calling **1-800-848-0979**.

It is possible to obtain a forbearance on a Direct PLUS Loan that is delinquent or in default, but it's best to contact the Loan Servicing Center immediately if you are having trouble making payments. **Don't wait until the loan is in default!** The Loan Servicing Center customer service representatives are trained to help you review your options so you can avoid delinquency and default.

What is a deferment?

A **deferment** is a period of time during which you don't have to make payments on the principal of the loan. However, interest is charged and, just as with a forbearance, it will be capitalized if it is not paid during the deferment.

The difference between a deferment and a forbearance is that you must meet a specific condition (established in law) to receive a deferment.

You may qualify for a deferment if **you** (not your child) meet one of the following conditions:

- You are enrolled at least half time in a program of study that meets the U.S. Department of Education's requirements for program eligibility, or you are enrolled in a graduate fellowship program or rehabilitation training program approved by the U.S. Department of Education.
- You are seeking, but unable to find, full-time employment. (This deferment is limited to three years.)
- You are experiencing an economic hardship. (This deferment is limited to three years.)

You may be eligible for other deferments. Contact the Loan Servicing Center at 1-800-848-0979 for more information.

Note: You do not have a deferment until the Loan Servicing Center notifies you that a deferment has been granted. In addition, you will not be eligible for a deferment on a defaulted loan unless you have made a satisfactory payment arrangement to repay your loan.

Turn to page 8 for information about making satisfactory repayment arrangements.

The following example illustrates what happens when a parent applies for a deferment.

Example of a deferment request

Jason's parent works at a company that has downsized. The parent, who had been paying $95 monthly on a $7,500 Direct PLUS Loan, was laid off. The parent began looking for work immediately and also called the Loan Servicing Center for a deferment form. After Jason's parent completed the form and returned it, along with documentation of the situation, the Loan Servicing Center approved a deferment for six months. During the deferment, Jason's parent may, but is not required to, make monthly payments.

How Do I Repay?

After you have received your loan, you will be asked to choose a repayment plan. The Direct PLUS Loan repayment plans allow you 10 to 30 years to repay what you've borrowed. **You can even switch repayment plans while you're repaying your Direct PLUS Loan.** So, if your budget becomes tight, you can switch to a longer repayment plan that has lower monthly payments. When your financial situation is stronger, you can switch back to a shorter repayment plan with higher monthly payments.

What are my Repayment Options?

You have a choice. Direct Loan PLUS Loan borrowers may choose from three repayment plans:

- Standard Repayment Plan,
- Extended Repayment Plan, and
- Graduated Repayment Plan.

A fourth repayment plan, called the Income Contingent Repayment Plan, is available only for repaying **student** loans (that is, Federal Direct Subsidized Loans and Federal Direct Unsubsidized Loans). The Income Contingent Repayment Plan is **not available** for repaying Direct PLUS Loans.

Sometimes parents confuse Direct PLUS Loans with college-tuition installment payment plans. Installment payment plans usually have to be paid within a year; Direct PLUS Loans have a much longer repayment time.

If you have more than one Direct PLUS Loan, you must choose the same repayment plan for each. You'll make only one monthly payment that combines what you owe on each Direct PLUS Loan.

The following chart and sections briefly describe the three repayment plans.

Repayment Plan	General Description
Standard	♦ $50 minimum monthly payment ♦ The same payment amount each month ♦ 10-year maximum repayment period
Extended	♦ $50 minimum monthly payment ♦ The same payment amount each month ♦ 12 to 30 years to repay depending on amount borrowed
Graduated	♦ Monthly payment • may not be less than half or more than 150 percent of the monthly payment under the Standard Repayment Plan **and** • must cover the interest that is charged monthly ♦ Payment grows gradually—about every two years ♦ 12 to 30 years to repay depending on amount borrowed

Standard Repayment Plan

With the Standard Repayment Plan, you'll pay the same amount each month until your loan is paid in full. Your monthly payments will be at least $50, and you must repay the loan within ten years.

This repayment plan is good for you if you can handle higher monthly payments, because you'll repay the loan more quickly and pay less interest. Your monthly payments will be higher than with other plans because your loan will be repaid in the shortest possible time, but you will pay less interest overall.

Extended Repayment Plan

Under the Extended Repayment Plan, you'll pay the same amount each month and have minimum monthly payments of $50, but you can take from 12 to 30 years to repay your loan. How long you have to repay will depend on the total amount you owe when you begin repaying the loan.

This is a good plan if you need to make smaller monthly payments than with the Standard Repayment Plan. Because the repayment period generally will be at least 12 years, however, you'll end up paying more in interest than with the Standard Repayment Plan.

Extended/Graduated Repayment Table	
Amount of Debt	**Maximum Repayment Period**
Less than $10,000	12 years
$10,000 - $19,999	15 years
$20,000 - $39,999	20 years
$40,000 - $59,999	25 years
$60,000 or more	30 years

Graduated Repayment Plan

With this plan, your payments start out low, then gradually increase over time. The increase usually occurs every two years. Like the Extended Repayment Plan, the length of your repayment period will depend on the total amount you owe when you begin repaying the loan.

This plan might be right for you if you expect your income to increase steadily over time. Your initial monthly payments will be equal to the greater of:

- the interest that is charged on your loan between monthly payments, or
- half of the payment you'd make each month with the Standard Repayment Plan.

Your monthly payments will never be less than half of what you'd pay each month with the Standard Repayment Plan or more than 150 percent of what you would pay each month with the Standard Repayment Plan. Because of the longer repayment period, you probably will pay more interest with the Graduated Repayment Plan than with the Standard Repayment Plan.

Consumer Tip # 5

Here's some general information about how the U.S. Department of Education's Loan Servicing Center helps you plan how to repay your Direct PLUS Loans.

- Shortly before your loan repayment period begins, the Loan Servicing Center will send you information about the different Direct PLUS Loan repayment plans. The information will include the estimated amount you would pay each month with different repayment plans. You also will receive a repayment plan selection form. You should select a plan and return the form to the Loan Servicing Center. If you do not select a plan, you will be placed on the Standard Repayment Plan.
- The Loan Servicing Center adjusts your monthly payment each July to account for changes in the annual interest rate. The payment plan you select does not affect your interest rate. (Turn to page 4 for information about interest rates.)
- The length of the repayment period does not include periods of forbearance or deferment. (Turn to page 20 for information about forbearance and to page 22 for information about deferment.
- The Loan Servicing Center is ready to help you successfully manage repaying your Direct PLUS Loan. If you have any questions, don't hesitate to give them a call at **1-800-848-0979**.

This booklet also has a "Direct PLUS Loan Repayment Chart" beginning on page 37 to help you compare the different repayment plans.

How do I estimate my monthly payments?

You can get a good estimate of how much you'll pay each month, and in total, by using the "**Direct PLUS Loan Repayment Chart**" beginning on page 37 of this booklet.

This chart provides at-a-glance estimates of your monthly payment depending on the repayment plan you choose. It shows monthly payment amounts for different loan amounts, beginning at $1,000.

- For example, if you've borrowed a $7,500 Direct PLUS Loan, your monthly payments (assuming a 9 percent interest rate) will be approximately:
  - $95 with the Standard Repayment Plan,

Amount Owed...	Monthly Paym't	Years in Repaym't	Total Amount Repaid...
$7,500	$95	10	$11,401

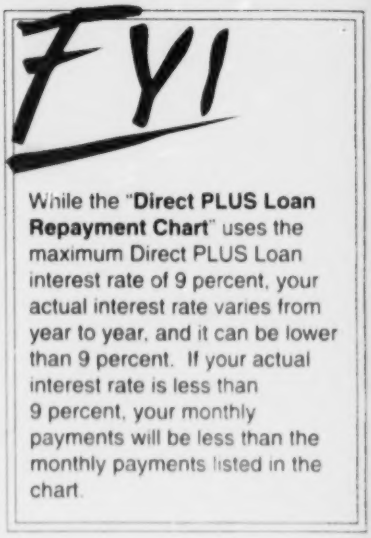
  - $85 with the Extended Repayment Plan, and

Amount Owed...	Monthly Paym't	Years in Repaym't	Total Amount Repaid...
$7,500	$85	12	$12,290

  - $56 (initially) with the Graduated Repayment Plan.

Amount Owed...	Monthly Paym't	Years in Repaym't	Total Amount Repaid...
$7,500	$56	12	$13,528

(**Remember: With the Graduated Repayment Plan, your monthly payment will gradually increase, usually every two years.** But, for a $7,500 Direct PLUS Loan at 9 percent interest, your monthly payment will never be greater than $143, which is 150 percent of what you would pay with the Standard Repayment Plan.)



While the "**Direct PLUS Loan Repayment Chart**" uses the maximum Direct PLUS Loan interest rate of 9 percent, your actual interest rate varies from year to year, and it can be lower than 9 percent. If your actual interest rate is less than 9 percent, your monthly payments will be less than the monthly payments listed in the chart.

FYI

The U.S. Department of Education also has an easy-to-use interactive loan repayment and budget calculator on its Web site that you can use to estimate your monthly payments if you have access to the Internet.

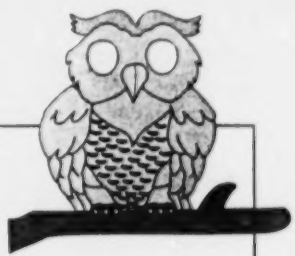
The Internet address is:

www.ed.gov/DirectLoan/calc.html

You can also use the repayment chart to figure out approximately how much you can afford to borrow based on your personal budget. For example, if you can afford no more than $60 per month, this chart suggests you could borrow:

- approximately $5,000 if you're repaying with the Standard Repayment Plan or Extended Repayment Plan, or
- approximately $7,500 if you're repaying with the Graduated Repayment Plan. **(Remember: Your monthly payments will increase over time.)**

Rules of Thumb



1. Sometimes, parents look at how much they can afford to pay each month and then take out a loan based on that amount. When they decide to borrow again the following year of college, they may not be prepared for the increase in monthly payments.

2. The size of your monthly payments has a direct effect on how much you end up paying back.

   ✔ The larger the monthly payments, the less time it takes to repay the loan, and, therefore, the less interest is charged.

   ➨ **The result**: You will pay more each month but less in total.

   ✔ The smaller the monthly payments, the longer it takes to repay the loan, and the more interest is charged.

   ➨ **The result**: You will pay less each month but more in total.

What happens to my monthly payments if I borrow more than one Direct PLUS Loan?

You might borrow more than one Direct PLUS Loan over several years for one child in school. Or, you might borrow two or more Direct PLUS Loans in the same academic year because you have two or more children in school at the same time.

The following scenarios, which assume the Standard Repayment Plan and a 9 percent interest rate, show what happens to your monthly payments if you borrow more than one Direct PLUS Loan.

Example of borrowing for one child

Becky is going to a four-year university. Her parent borrowed $3,000 for Becky's freshman year of school. Her parent decided not to borrow for her sophomore and junior years. However, in Becky's senior year, her parent borrowed another $5,000 Direct PLUS Loan.

Her parent began repaying the $3,000 Direct PLUS Loan during Becky's freshman year at $50 each month. Her parent continued making monthly payments on the $3,000 loan during Becky's sophomore and junior years. Then, in Becky's senior year, her parent began making total monthly payments of $101 each month on $8,000 ($3,000 for Becky's freshman year and $5,000 for her senior year).

School Year	Total Direct PLUS Loans Amount Borrowed	Total Monthly Payment
Freshman	$3,000	$50
Sophomore	$ 0	$50
Junior	$ 0	$50
Senior	$8,000 ($3,000 + $5,000)	$101

Example of borrowing for more than one child

David and Robert are brothers. This year, David is a junior at the state university and Robert is a sophomore at the local community college. Their parent has borrowed Direct PLUS Loans each year that each child has been in school. The parent borrowed $1,500, $1,800, and $1,950 for David's freshman, sophomore, and junior years. For Robert, the parent borrowed $900 for his freshman year and $1,100 for his sophomore year.

Here's how the monthly payments change as David and Robert's parent borrowed additional Direct PLUS Loans.

Direct PLUS Loan Amounts Borrowed for:		Total Direct PLUS Loans Amount Borrowed	Total Monthly Payment
David	Robert		
Freshman $1,500	$ 0	$1,500	$ 50
Sophomore $1,800	Freshman $ 900	$4,200 ($1,500 + $1,800 + $900)	$ 53
Junior $1,950	Sophomore $1,100	$7,250 ($4,200 + $1,950 + $1,100)	$ 92

Can I repay my loans early (prepay) without paying a penalty?

Yes. As a Direct Loan borrower, you always have the option to pay more than you are required to pay each month. You may do so without any penalty.

Is it a good idea to prepay?

Yes, if you can afford it. Prepaying reduces how much interest you end up paying in total.

Consumer Tip #6

The longer it takes you to repay a loan, the more interest you will pay. Interest is charged on the portion of the loan you haven't repaid yet.

Related information about interest (how it is charged and when it is capitalized) is on pages 4 and 21 of this booklet.

If I make a payment that is more than what I owe for the month, how is the money credited toward the loan?

If your loan account is current (that is, you've been paying on time) and you make a payment that is more than the amount you owe in a month, the Loan Servicing Center applies all the extra money to the loan principal.

Where Do I Send My Payments?

You send your payments to:

U.S. Department of Education
Direct Loan Payment Center
P.O. Box 746000
Atlanta, Georgia 30374-6000

Although most communications with you will be by mail, you may call the Loan Servicing Center toll free whenever you have questions or concerns about your loan account.

The telephone number is **1-800-848-0979**.

How will I be billed?

Several payment methods are available. Whichever method you use, one payment each month will cover all your Direct Loans.

Before the first payment on your Direct PLUS is due, you'll receive a billing statement. You may choose to continue receiving monthly billing statements, or you may have your monthly payments automatically deducted from your bank account. The Loan Servicing Center will send you an authorization form to complete.

If you choose to continue receiving monthly statements, a new statement will arrive each month about two weeks before your payment is due. Each statement will include the address where you should send your payment and the Loan Servicing Center's address and telephone number.

If you use the monthly billing statement method, and you've made 12 consecutive monthly payments **on time**, the Loan Servicing Center may send you a book of monthly payment coupons. You can use these coupons instead of receiving a monthly billing statement.

FYI

When your account is current and you make a payment that is double your required monthly payment, the extra amount will be applied entirely to the loan principal and your next payment due date will be delayed by a month. The Loan Servicing Center will notify you about the revised due date for your next payment.

If you don't want your due date delayed, you should note this on the bill that accompanies your prepayment. Then, you'll make your next payment as scheduled the following month.

What If I Have Problems Repaying?

If you are having problems making a payment on your loan as scheduled, call the Loan Servicing Center immediately at:

1-800-848-0979

FYI

See page 23 for information about repayment plans, page 20 for information about forbearance, and page 22 for information about deferment.

A customer service representative will work with you to help you avoid the costs and consequences of delinquency, which could result in defaulting on your Direct PLUS Loan. Customer service representatives are trained to help you understand your options so you don't default on your loans. Some options that may help you through a period when you're having a hard time repaying your loan include:

- switching to a new repayment plan, or
- applying for a forbearance or deferment.

What are the consequences of default?

The consequences of default are serious.

- The entire unpaid balance and accumulated interest on your loans could become immediately due and payable.
- You would lose your deferment and forbearance options.
- You would not be eligible for further federal student financial aid, including Direct PLUS Loans.
- Your account may be turned over to a collection agency, increasing the total amount you owe by adding late fees, additional interest, attorney's fees, and other collection costs. Collection costs may increase the amount you owe by up to 18.5 percent.

- Your account would be reported to credit bureaus as being in default, which can result in an adverse credit history.
- The federal government can withhold your federal tax refunds and federal payments that may be due to you through certain programs such as veterans' benefits, loans from the Small Business Administration, and subsidies through the U.S. Department of Agriculture and U.S. Department of Housing and Urban Development.
- Your employer, at the request of the federal government, can withhold ("garnish") part of your wages and give them to the federal government to repay your debt.
- The federal government can take legal action against you.

Can my loans ever be discharged?

Yes. A discharge releases you from all obligation to repay your loans. You can receive a discharge under these specific circumstances:

- You die.
- The child for whom you borrowed dies.
- You become totally and permanently disabled due to an injury or illness that is expected to continue indefinitely or result in death. A physician must certify your total and permanent disability. The condition may not have existed before you applied for a Direct PLUS Loan, unless a doctor certifies that the condition substantially deteriorated after you obtained the loan, causing you to become totally and permanently disabled.
- The child for whom you borrowed cannot complete a course of study because the school closed.
- The school your child attended falsely certified that your child was an eligible student.

- The school your child attended:
  - forged your signature on your promissory note, or
  - forged your signature on your loan check or authorization for electronic funds transfer and did not give you the loan funds or apply the loan funds to your child's school account.
- You file for bankruptcy and the court rules that you don't have to repay the loan. This type of discharge occurs only in rare cases.

To receive a discharge, you must apply through the Loan Servicing Center. You'll have to provide the Loan Servicing Center with documentation that proves that you are eligible for the discharge and, in most cases, you will have to complete a discharge application form. To apply for a discharge, call the Loan Servicing Center at **1-800-848-0979**.

What Is Loan Consolidation?

You may want to consider the U.S. Department of Education's Federal Direct Consolidation Loan Program as a way of simplifying repayment of your **federal education loans** (not your nonfederal loans, such as those offered by states and private organizations).

"Consolidation" is similar to refinancing, **but there's no loan fee**. You get one new loan to repay the loans you have borrowed. This means you make only one monthly payment to cover all your education loans. In addition, you can choose from the same repayment plans available for repaying Direct PLUS Loans.

If you have a Direct PLUS Loan and you apply for a Direct PLUS Consolidation Loan, you must not have an adverse credit history at the time you apply. If you do, you must be able to document extenuating circumstances or obtain an endorser without an adverse credit history.

This booklet addresses adverse credit history beginning on page 8.

You can also consolidate your Direct PLUS Loans with your FFEL PLUS Loans. Here's a brief scenario.

Example of consolidating Direct PLUS Loans and FFEL PLUS Loans

Carolyn borrowed both Direct PLUS Loans and FFEL PLUS Loans because one child attended a college that participated in the Direct Loan Program and the other child went to a college that participated only in the FFEL Program.

Carolyn decided to consolidate these loans into a single Direct PLUS Consolidation Loan. Instead of writing two separate checks each month, one to repay the Direct PLUS Loans and the other to repay the FFEL PLUS Loans, she now only writes one check each month to repay the money she borrowed for her children's education.

What if I owe federal student loans that I borrowed to pay for my own education?

If **you** (not your child) owe federal student loans in addition to your Direct PLUS Loan, you can consolidate your federal student loans along with your Direct PLUS Loan with the Direct Consolidation Loan Program.

You have the same choice of repayment plans as you do for Direct PLUS Loans. You also have one more option, called the Income Contingent Repayment Plan, that you may select for the student loan portion of your Direct Consolidation Loan. This plan annually adjusts your monthly payment amount on the basis of the amount you borrowed and your income (defined as the adjusted gross income reported on your federal tax return).

Are there reasons to decide not to consolidate?

In some cases, you could end up paying more by consolidating all loans than if you didn't consolidate.

The length of time you have to repay your new consolidation loan is not affected by how long your loans have already been in repayment. If you have been repaying a loan for five years with the Standard Repayment Plan and decide to consolidate that loan with your other federal education loans, your 10-year Standard Repayment Plan period starts over. Since your loan is in repayment longer (5 years + 10 years = 15 years), you will pay more interest.

How can I decide if consolidation is for me?

Contact the Loan Origination Center's Consolidation Department at **1-800-557-7392** to get the U.S. Department of Education's materials about consolidation. Read the information very carefully, and don't hesitate to call if you have questions.

Direct PLUS Loan Repayment Chart

Direct Loans

Payments are calculated using the maximum interest rate of 9 percent; your actual monthly payment may be lower.
Borrowers may switch repayment plans to meet their changing needs.
The final year of repayment may be less than 12 months.

Standard Repayment Plan
- Monthly payment amount: fixed
- Minimum payment: $50
- Maximum repayment period: 10 years

Extended Repayment Plan
- Monthly payment amount: fixed
- Minimum payment: $50
- Maximum repayment period: varies from 12 to 30 years, depending on amount owed

Graduated Repayment Plan
- Monthly payment amount: gradually increases about every two years
- Minimum payment: greater of monthly interest or half the payment under the Standard Repayment Plan
- Maximum repayment period: varies from 12 to 30 years, depending on amount owed

Amount Owed When Loan Enters Repayment	Standard Repayment Plan			Extended Repayment Plan			Graduated Repayment Plan		
	Monthly Payment	Years in Repayment	Total Amount Repaid (Includes Interest)	Monthly Payment	Years in Repayment	Total Amount Repaid (Includes Interest)	Beginning Monthly Payment	Years in Repayment	Total Amount Repaid (Includes Interest)
$1,000	$50	2	$1,088	$50	2	$1,088	$25	4	$1,200
$1,500	$50	3	$1,705	$50	3	$1,705	$25	6	$1,800
$2,000	$50	4	$2,387	$50	4	$2,387	$25	10	$3,075
$2,500	$50	5	$3,145	$50	5	$3,145	$25	12	$4,231
$5,000	$63	10	$7,601	$57	12	$8,194	$38	12	$9,019
$7,500	$95	10	$11,401	$85	12	$12,290	$56	12	$13,528
$10,000	$127	10	$15,201	$101	12	$18,257	$75	15	$20,020
$12,500	$158	10	$19,001	$127	15	$22,820	$94	15	$25,026
$15,000	$190	10	$22,802	$152	15	$27,385	$113	15	$30,032
$17,500	$222	10	$26,602	$178	15	$31,950	$131	15	$35,036

Direct PLUS Loans

Direct PLUS Loan Repayment Chart (cont'd)

Amount Owed When Loan Enters Repayment	Standard Repayment Plan			Extended Repayment Plan			Graduated Repayment Plan		
	Monthly Payment	Years in Repayment	Total Amount Repaid (Includes Interest)	Monthly Payment	Years in Repayment	Total Amount Repaid (Includes Interest)	Beginning Monthly Payment	Years in Repayment	Total Amount Repaid (Includes Interest)
$20,000	$253	10	$30,402	$180	20	$43,187	$150	20	$46,740
$22,500	$285	10	$34,202	$202	20	$48,586	$169	20	$52,583
$25,000	$317	10	$38,003	$225	20	$53,984	$188	20	$58,426
$27,500	$348	10	$41,803	$247	20	$59,381	$206	20	$64,268
$30,000	$380	10	$45,603	$270	20	$64,780	$225	20	$70,111
$32,500	$412	10	$49,404	$292	20	$70,178	$244	20	$75,954
$35,000	$443	10	$53,204	$315	20	$75,577	$263	20	$81,796
$37,500	$475	10	$57,004	$337	20	$80,976	$281	20	$87,640
$40,000	$507	10	$60,804	$336	25	$100,704	$300	25	$107,507
$42,500	$538	10	$64,605	$357	25	$106,998	$319	25	$114,224
$45,000	$570	10	$68,405	$378	25	$113,292	$338	25	$120,949
$47,500	$602	10	$72,205	$399	25	$119,586	$356	25	$127,667
$50,000	$633	10	$76,005	$420	25	$125,879	$375	25	$134,384
$52,500	$665	10	$79,806	$441	25	$132,174	$394	25	$141,104
$55,000	$697	10	$83,606	$462	25	$138,467	$413	25	$147,824
$57,500	$728	10	$87,406	$483	25	$144,762	$431	25	$154,541
$60,000	$760	10	$91,207	$483	30	$173,798	$450	30	$183,073
$62,500	$792	10	$95,007	$503	30	$181,040	$469	30	$190,704
$65,000	$823	10	$98,807	$523	30	$188,282	$488	30	$198,326
$67,500	$855	10	$102,607	$543	30	$195,523	$506	30	$205,955

Direct PLUS Loan Repayment Chart (cont'd)

Amount Owed When Loan Enters Repayment	Standard Repayment Plan			Extended Repayment Plan			Graduated Repayment Plan		
	Monthly Payment	Years in Repayment	Total Amount Repaid (Includes Interest)	Monthly Payment	Years in Repayment	Total Amount Repaid (Includes Interest)	Beginning Monthly Payment	Years in Repayment	Total Amount Repaid (Includes Interest)
$70,000	$887	10	$106,408	$563	30	$202,765	$525	30	$213,582
$72,500	$918	10	$110,208	$583	30	$210,006	$544	30	$221,213
$75,000	$950	10	$114,008	$603	30	$217,248	$563	30	$228,843
$77,500	$982	10	$117,808	$624	30	$224,489	$581	30	$236,469
$80,000	$1,013	10	$121,609	$644	30	$231,731	$600	30	$244,098
$82,500	$1,045	10	$125,409	$664	30	$238,972	$619	30	$251,722
$85,000	$1,077	10	$129,209	$684	30	$246,215	$638	30	$259,351
$87,500	$1,108	10	$133,010	$704	30	$253,454	$656	30	$266,983
$90,000	$1,140	10	$136,810	$724	30	$260,698	$675	30	$274,609
$92,500	$1,172	10	$140,610	$744	30	$267,941	$694	30	$282,240
$95,000	$1,203	10	$144,410	$764	30	$275,181	$713	30	$289,863
$97,500	$1,235	10	$148,211	$785	30	$282,424	$731	30	$297,494
$100,000	$1,267	10	$152,011	$805	30	$289,664	$750	30	$305,117
$102,500	$1,298	10	$155,811	$825	30	$296,906	$769	30	$312,745
$105,000	$1,330	10	$159,611	$845	30	$304,146	$788	30	$320,379
$107,500	$1,362	10	$163,412	$865	30	$311,389	$806	30	$328,005
$110,000	$1,393	10	$167,212	$885	30	$318,631	$825	30	$335,635
$112,500	$1,425	10	$171,012	$905	30	$325,872	$844	30	$343,260
$115,000	$1,457	10	$174,813	$925	30	$333,115	$863	30	$350,889
$117,500	$1,488	10	$178,613	$945	30	$340,355	$881	30	$358,517

Direct PLUS Loans

Direct PLUS Loan Repayment Chart (cont'd)

Amount Owed When Loan Enters Repayment	Standard Repayment Plan			Extended Repayment Plan			Graduated Repayment Plan		
	Monthly Payment	Years in Repayment	Total Amount Repaid (Includes Interest)	Monthly Payment	Years in Repayment	Total Amount Repaid (Includes Interest)	Beginning Monthly Payment	Years in Repayment	Total Amount Repaid (Includes Interest)
$120,000	$1,520	10	$182,413	$966	30	$347,597	$900	30	$366,141
$122,500	$1,552	10	$186,213	$986	30	$354,838	$919	30	$373,778
$125,000	$1,583	10	$190,014	$1,006	30	$362,081	$938	30	$381,399
$127,500	$1,615	10	$193,814	$1,026	30	$369,320	$956	30	$389,030
$130,000	$1,647	10	$197,614	$1,046	30	$376,563	$975	30	$396,659
$132,500	$1,678	10	$201,414	$1,066	30	$383,803	$994	30	$404,283
$135,000	$1,710	10	$205,215	$1,086	30	$391,046	$1,013	30	$411,915
$137,500	$1,742	10	$209,015	$1,106	30	$398,290	$1,031	30	$419,540
$140,000	$1,773	10	$212,815	$1,126	30	$405,530	$1,050	30	$427,171
$142,500	$1,805	10	$216,616	$1,147	30	$412,772	$1,069	30	$434,796
$145,000	$1,837	10	$220,416	$1,167	30	$420,012	$1,088	30	$442,427
$147,500	$1,868	10	$224,216	$1,187	30	$426,492	$1,106	30	$450,058
$150,000	$1,900	10	$228,016	$1,207	30	$434,496	$1,125	30	$457,678

Notes

Directory

Important addresses and telephone numbers for Direct PLUS Loans

U.S. Department of Education's Direct Loan Web Site

You can contact the Web site at:

www.ed.gov/DirectLoan

Loan Origination Center

Write or call if you have questions about your Direct PLUS Loan approval.

U.S. Department of Education
Loan Origination Center
Applicant Services
P.O. Box 5691
Montgomery, Alabama 36103-5691

Loan Origination Center.....**1-800-557-7394**
For the hearing-impaired, TDD # **1-800-557-7395**

Loan Servicing Center

Write or call if you have questions about your Direct Loans, have a name or address change, or are interested in estimated repayment information, repayment plan changes, and deferment or forbearance forms.

U.S. Department of Education
Direct Loan Servicing Center
P.O. Box 4609
Utica, New York 13504-4609

Loan Servicing Center.....**1-800-848-0979**
For the hearing-impaired, TDD # **1-800-848-0983**

Consolidation Department

Write or call if you want to apply for or have questions about Direct Consolidation Loans.

U.S. Department of Education
Consolidation Department
Loan Origination Center
P.O. Box 1723
Montgomery, Alabama 36102-1723

Consolidation Department.....**1-800-557-7392**
For the hearing-impaired, TDD # **1-800-557-7395**

Direct Loan Payment Center

Send your payments here.

U.S. Department of Education
Direct Loan Payment Center
P.O. Box 746000
Atlanta, Georgia 30374-6000

For questions about your payments, call the Loan Servicing Center

Federal Student Aid Information Center

Write or call for general information about federal student aid grants, loans, and work-study.

U.S. Department of Education
Federal Student Aid Information Center
P.O. Box 84
Washington, D.C. 20044

Federal Student Aid Info. Ctr.....**1-800-4FED-AID**
(1-800-433-3243)
For the hearing-impaired, TDD # **1-800-730-8913**

Your child's school's financial aid office

Write or call your child's financial aid office for specific questions about student financial aid at the school.

write it down! ➡

Name of School _____
Address _____
_____
_____
Aid Admin. _____
Phone # _____
Fax # _____
Email # _____

U.S. Department of Education
Washington, D.C.